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NORTH AMERICAN
PUBLIC SECTOR

Achieving Efficiencies for Better Affordability

A Government Consultant's Observations

Overhead: Components & Drivers

Buyer's View

- Always too high and must be reduced
- Viewed as a negative

Seller's View

- Component of business
- Competes with profit

Consultant's View

- Production Overhead driven by production process
- General & Administrative Overhead driven by Government and corporate specific factors
  - Contracting process
  - Auditing process compliance (CAS, DCAA , DCMA)
  - Corporate functions (accounting, IT, finance, R&D)
- General Plant Overhead driven by plant footprint, regulations, and mobilization

DIRECT COSTS
- Labor
- Materials

PRODUCTION OVERHEAD
- Maintenance
- Production process
- Depreciation
- Mobilization

GENERAL & ADMINISTRATIVE OVERHEAD
- Contracting
- R&D
- Cost Accounting Standards
- Corporate requirements

GENERAL PLANT OVERHEAD
- Facility age
- Facility footprint
- Maintenance standards
- Regulations
- Mobilization

Indiscriminately cutting overhead may have unintended consequences.

Successes in Reducing Munitions Costs

Eliminate & Shrink

Reduce ammunition costs by:
Reorganizing, modernizing, leaning, and consolidating

Iowa & Milan AAPs

- Consolidated operations at Iowa
- Consolidated, leaned, and modernized a production line

GD- Garland

- Significantly reduced plant footprint
- Reorganized and leaned the facility

Share

Reduce munitions cost by:
Adding additional business base

Iowa & Milan AAPs

- Leased out rail lines and locomotives
- Leased out facilities

Lake City & Radford AAPs

- Shared facility costs with commercial entity
- Integrated production of components

Scranton AAP

- Commercial production

Holston AAP

- Leased out rail lines and locomotives
- Leased out facilities

St Marks

- Commercial production

McAlester AAP

- Leased out facilities to a commercial entity

Eliminating, Shrinking, and Sharing costs result in reducing the cost of munitions.

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Experience.
Results.

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